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RUEHLH/AMCONSUL LAHORE PRIORITY 5676  
RUEHPW/AMCONSUL PESHAWAR PRIORITY 4452  
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY  
RUEAIIA/CIA WASHDC PRIORITY  
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C O N F I D E N T I A L SECTION 01 OF 03 ISLAMABAD 002233

SIPDIS

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TAGS: PGOV ECON PREL EAID ETRD EAGR PK

SUBJECT: OPTIONS FOR MITIGATING PAKISTAN'S FOOD CRISIS

REF: A. ISLAMABAD 1705  
1B. ISLAMABAD 1715  
1C. ISLAMABAD 2061

Classified By: Anne W. Patterson, Reasons 1.4 (b), (d)

11. (C) Summary: In response to Pakistan's worsening food situation and its potential impact on the country's most vulnerable groups, Embassy Islamabad suggests six program options for food assistance for Washington agencies' consideration. With 100 million Pakistanis living on two dollars or less per day, the rising cost of basic agricultural commodities places over 60 percent of the population at risk. Program options include directly providing wheat to the Government of Pakistan (GOP) and increasing funding for World Food Program (WFP) activities in Pakistan, as well as the development of a five year USAID agricultural sector reform package. Food assistance, particularly before the early September start of Ramadan, would be a visible gesture and timely signal that U.S. assistance helps the people of Pakistan directly. Such assistance could be timed to coincide with the Prime Minister's visit to Washington and perhaps made conditional on performance in other areas. End Summary.

12. (C) The World Food Program (WFP) identified Pakistan as one of 40 countries at risk for food insecurity. The WFP recently raised its estimate of at-risk individuals from 60 to 77 million, or 48 percent of Pakistan's population. Over 100 million Pakistanis live on less than two dollars per day, including 27 million living on less than one dollar per day, according to the World Bank and UN Development Program (UNDP). The prices of basic agricultural commodities have steadily risen over the past year (Ref A). The cost of wheat and cooking oil, Pakistan's two most important staples, have risen 68 and 54 percent, respectively, in the last twelve months. Pakistan has been suffering from monthly double digit food price inflation since September 2007.

13. (C) WFP analysis further indicates that the purchasing power of Pakistan's poor has declined by almost 50 percent in the past year. With roughly fifty percent of the population hovering around the poverty line (Ref B), a large segment of the population remains vulnerable to rising food prices. The World Bank estimates that 19 percent of Pakistanis are already malnourished (over 30 million people) and 38 percent of the country's children under the age of five are both malnourished and underweight.

¶4. (C) Wheat is the staple of the average Pakistani diet. The Government of Pakistan (GOP) expects this year's final domestic wheat production to be around 21.7 million metric tons (MT), well below the target of 24 million metric tons. GOP officials estimate that an additional 2.5 million metric tons will be needed to meet domestic demand. Increased wheat consumption and stockpiling often occurs in the run up to Ramadan, scheduled to begin in early September. Anecdotal reports indicate that pre-Ramadan price increases have already begun and will further impact Pakistan's deteriorating food situation.

¶5. (C) In response to increasing food insecurity in Pakistan, Post has organized a Food Security Working Group, chaired by the Ambassador and comprised of the DCM and officers from USAID, the Foreign Agricultural Service (FAS) and the Economic section. The group has explored possible U.S. responses to Pakistan's food crisis. Post recommends that additional food assistance be provided to Pakistan in the short term, aiming to provide needed and visible assistance before the September start of Ramadan. Post has identified six programs, three of which focus on increasing funding to the World Food Program (WFP) and three which increase bilateral support for Pakistan, for consideration by Washington agencies. There are bound to be other options, too.

**OPTION ONE: PROVIDE WHEAT TO THE GOP**

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¶6. (C) The Government of Pakistan (GOP) will formally request  
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U.S. assistance in buying wheat for Pakistan. Post received an advance copy of an internal GOP letter from the Secretary of the Ministry of Food, Agriculture and Livestock (MINFAL) to the Secretary of the Ministry of Foreign Affairs, indicating that the GOP plans to request between 500,000 and one million metric tons of wheat from the U.S. Government. The request will reportedly be conveyed by the Pakistani Ambassador in Washington to the U.S. Department of Agriculture. At current market rates, this assistance would cost between USD 200 million and USD 400 million.

¶7. (C) Post also received a separate request from the Ministry of Food, Agriculture and Livestock for a donation of an unspecified quantity of wheat. Under a government-to-government monetization program, the U.S. would supply wheat directly to the GOP who would in turn sell it on the market or distribute it through government-owned utility stores that provide subsidized wheat to Pakistan's poor. Proceeds from wheat sales would be used to improve future domestic wheat production. U.S. wheat is currently being offered at USD 500 per ton. At this rate, a USD 20 million monetization program would supply 40,000 tons of wheat, feeding 400,000 people for one year. FAS will forward these requests to the U.S. Department of Agriculture and SCA separately.

**OPTION TWO: PROVIDE EMERGENCY FUNDING TO THE WFP**

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¶8. (C) Assistance can also be provided to the World Food Program for activities already underway in Pakistan. The WFP currently distributes food directly to 3.7 million Pakistanis. The U.S., through the U.S. Department of Agriculture's (USDA) McGovern-Dole Food for Education Program, directly supports WFP operations in Pakistan and has contributed USD 9.8 million in both cash and commodities this fiscal year. WFP officials in Islamabad indicate that the organization will likely seek to temporarily increase food recipients to between six and eight million people. A WFP food assessment team is currently in Pakistan and will report preliminary findings on June 27.

¶9. (C) It is Post's understanding that the WFP will shortly

issue a multi-donor appeal for emergency funding for Pakistan, estimated at USD 82 million. While McGovern-Dole funds are allocated to countries each fiscal year on a competitive basis, the Pakistan program could be supplemented with additional USDA McGovern-Dole funds. USDA would have to identify a source of additional funding and provide it to the McGovern-Dole program in Pakistan to support the WFP's funding request. All U.S. funded food aid to the WFP would come in U.S.-marked bags and tins, ensuring recognition for the additional assistance.

OPTION THREE: PL-480 FUNDING FOR THE WFP

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¶10. (C) Additionally, PL-480 funding could be allocated for the purchase of food supplies for the WFP. It is Post's understanding that while Pakistan does not qualify for certain USDA emergency food assistance funds, Pakistan is eligible to receive PL-480 Emergency Food Aid, provided there is a food emergency. Between USD 20 million and USD 30 million in PL-480 funding would be required for the purchase of wheat and vegetable oil for distribution to Pakistan's most vulnerable groups. The commodities, to be distributed directly by the WFP in bags bearing the USAID logo, would focus on school feeding and maternal and child health (MCH) programs, targeting both children and pregnant women.

OPTION FOUR: REPROGRAM PIPELINE USAID FUNDS FOR THE WFP

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¶11. (C) Another option would be to reprogram USAID Economic Support Fund (ESF) resources to increase support for WFP operations. While FY08 and FY09 USAID funds are not yet available, Post believes it might be possible to reprogram between USD 10 million to USD 20 million in FY07 USAID funds for WFP programs. The funding would be provided directly to the World Food Program for school food programs as well as

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logistical support to other on-going food distribution programs.

OPTION FIVE: USE FY09 USAID BRIDGE SUPPLEMENTAL FUNDING

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¶12. (C) USAID could utilize funding from the FY09 Economic Support Fund (ESF) bridge supplemental to purchase U.S. wheat directly. USD 50 million would purchase roughly 100,000 metric tons of wheat, which would in turn be sold to the Government of Pakistan for distribution in country. The GOP would pay USAID in Pakistani rupees which would be utilized to fund pre-existing USAID activities in Pakistan. 100,000 metric tons would feed roughly one million Pakistanis for one year. This option would essentially cost the U.S. Government next to nothing but would be attractive to the GOP as it does not require the use of foreign exchange reserves for the purchase of wheat.

OPTION SIX: USAID AGRICULTURAL REFORM PACKAGE

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¶13. (C) Finally, recognizing that agricultural sector reform will be key to finding a long-term solution to Pakistan's food shortages (Ref C), USAID is designing a five year agricultural development program. Already included in USAID's FY09 base programming, the USD 75 million program will focus on the development of the agricultural sector, including a livelihoods component. If additional funding becomes available, the five year program could be expanded to USD 300 million.

COMMENT

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¶14. (C) Any additional U.S. assistance in mitigating this year's food crisis would be a visible gesture and timely

signal that U.S. assistance helps the people of Pakistan directly. Any such program could coincide with the Prime Minister's visit to Washington and perhaps made conditional on performance in other areas. Action in the short term is required to aid Pakistan's poor and help protect the country's most vulnerable groups. Additional U.S. assistance, either in the form of direct aid to the Government of Pakistan or via the World Food Program, has the potential to pull millions of Pakistanis away from the brink of malnutrition and prevent political unrest. End Comment.

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